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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/09/08

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ARTICLES:

(1) Focus on U.N. authorization, weapons use for permanent SDF dispatch legislation

SANKEI (Page 2) (Abridged)
January 9, 2008

Chief Cabinet Secretary Nobutaka Machimura met with Defense Minister Shigeru Ishiba and Foreign Minister Masahiko Koumura yesterday at the prime minister's office. In the meeting, the three confirmed that once the newly introduced antiterror bill now before the Diet is enacted, the government would set about drafting a permanent legislative measure allowing Japan to send the Self-Defense Forces for overseas missions whenever necessary. The new antiterrorism bill is for temporary legislation with a one-year time limit. The government therefore fears that the issue of extending the Maritime Self-Defense Force's refueling activities in the Indian Ocean would become a political issue again in the Diet's extraordinary session to be called in the fall of this year. Prime Minister Yasuo Fukuda wants the permanent legislation discussed between the ruling and opposition parties. However, the ruling Liberal Democratic Party's coordination with its coalition partner, New Komeito, and with the leading opposition Democratic Party of Japan (Minshuto) is expected

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to face rough going.

The LDP and New Komeito will launch a project team and will also call on the DPJ to join discussions.

The SDF's overseas activities are conducted under a limited number of laws, such as the Law for Cooperation on United Nations Peacekeeping Operations or the so-called PKO Cooperation Law. The government therefore created time-limited ad hoc laws, such as the now-expired Antiterrorism Special Measures Law and the Iraq Special Measures Law.

In August 2006, Ishiba worked out an international peace cooperation bill as the then chair of the Defense Policy Review Subcommittee of the LDP National Defense Division. Based on this draft bill, the government and the ruling parties are going to create a permanent law.

Meanwhile, the DPJ has presented its counterproposal to the new antiterror bill. The DPJ-proposed legislation is intended to assist Afghanistan with its reconstruction to prevent and eradicate international terrorism. In this counterproposal, the DPJ also refers to permanent legislation.

The LDP bill allows the SDF's overseas activities with no resolution from the United Nations. However, the DPJ bill conditions the SDF's overseas activities on the United Nations' authorization or its resolution, as DPJ President Ichiro Ozawa asserts. The two parties are like oil and water in their respective bills. The DPJ bill also requires the government to ask the Diet for its prior approval. This is also hardly acceptable to the LDP-led government.

In the meantime, the LDP and New Komeito are poles apart over the pending issue of easing government-set standards for SDF personnel's use of weapons on their overseas missions. The Iraq Special Measures Law only allows SDF personnel to use weapons in order to defend those under their control. However, the LDP's Ishiba plan complies with U.N. standards and allows weapons use needed for the SDF to carry out its missions.

(2) Defense Ministry marks first anniversary; Series of

improprieties raise questions about civilian control

NIKKEI (Page 2) (Abridged slightly)
January 9, 2008

Today marks the first anniversary of the establishment of the Ministry of Defense (MOD). The first year of MOD, which was actually upgraded from agency status at long last, has been marred by a series of scandals, such as a leak of pivotal data on the Maritime Self-Defense Force's Aegis vessels, the revelation of collusive ties between former Vice-Defense Minister Takemasa Moriya and a defense contractor and his arrest, and the problem of bill-padding by a defense trading house. Furthermore, the ministry has had a total of three defense chiefs in just one year, leaving uncertainty about thorough civilian control. MOD reform under the initiative of the Prime Minister's Official Residence (Kantei) is being challenged to strengthen checking functions and increase transparency.

Invaluable experience

Defense Minister Shigeru Ishiba held a press conference yesterday,

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in which he summarized the ministry's one year in this way:

"I cannot say that the year since the ministry was upgraded from agency status has been bright. But it was certainly an invariable experience for us to build a new Defense Ministry."

Becoming independent of the Cabinet Office led by the prime minister, MOD is now allowed to seek budgets and present bills independently. At the same time, the ministry is now required to fulfill its accountability. The House of Councillors election last July has given the opposition bloc a majority in the upper chamber. MOD is now under the Diet's watchful eye.

Under the opposition camp's undivided attention to the question of extending the Antiterrorism Special Measures Law, allegations that Japanese oil had been diverted for use in the U.S. military's Iraq operation extremely fatigued MOD officials responsible for the U.S. military, forcing them to take great pains to produce relevant data and Diet replies. It also became clear that the ministry had concealed the correct amount of oil (provided to a U.S. oiler) for about four years, raising questions about civilian control.

Structure not improved

MOD was also rocked by the arrest of former Vice-Defense Minister Moriya for allegedly giving favors to defense contractor Yamada Corp. in defense equipment procurement, having cozy ties with it. Takushoku University Professor Satoshi Morimoto took this view:

"Armed with the defense equipment procurement and policy planning functions, the vice-defense minister was able to decide everything. (The Moriya scandal) exposed the fact that the Defense Agency was upgraded to a ministry before such structure was improved."

It is ironical that the Ministry of Defense Reform Council composed of experts meets at the Kantei on Jan. 9, the first anniversary of the ministry upgrade. Lawmakers and the Diet will be required to play greater roles in overseeing the vice-defense minister who has tremendous authority.

Interview with Defense Minister Shigeru Ishiba

-- Specially, how are you going to reform the Ministry of Defense?

"The Kantei-led MOD Reform Council is scheduled to come up with a reform direction in February. Then we are going to launch a reform promotion team composed of personnel from the internal bureaus and the Ground, Maritime and Air Staff Offices, and the Joint Staff Office to draw up plans. The function to assist the defense minister is not working at present and a sense of unity is lacking between MOD and those in the field and between officials not in uniform and those in uniform. The foundations of the Defense Ministry Establishment Law and the Self-Defense Forces Law must be

reviewed."

"The team will be tasked to produce basic plans in one year's time. On the agenda would be the establishment of a coordination council to promote cooperation between the Joint Staff Office, the Ground, Maritime, and Air Staff Offices, and the internal bureaus, and the appointment of uniformed officers as internal bureau division directors. I would like to totally integrate the staff offices and internal bureaus in the future to split the organization by

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function, such as building up defense capabilities, operation instructions and employment, and Diet affairs and public relations."

-- Is it necessary to move up the current Midterm Defense Buildup Program (for fiscal 2005-2009) by one year based on the direction to be produced by the reform council?

"Yes, it is necessary. Reforming MOD when the new Midterm Defense Buildup Program (for fiscal 2009-2013) is in effect while ensuring consistency with revisions to the National Defense Program Guideline would be ideal."

(3) Nagata-cho field note: Defense Ministry's fall from grace

YOMIURI (Page 4) (Full)
January 9, 2008

The Defense Ministry marks today the first anniversary of its being upgraded from the status of an agency. The mood in the ministry, however, has been gloomy due to the series of scandals involving it, including the bribery scandal involving former Administrative Vice Minister Takemasa Moriya, now under arrest, who pushed for the upgrade.

Defense Minister Shigeru Ishiba indicated his mixed feelings, saying:

"Last year was not at all a smooth one. There were a number of occurrences and criticisms, and we must consider how we can create a new Defense Ministry using these as a springboard. The key words of this year will be revival, rebirth, and restart."

On Jan. 9, 2007, the ministry held a lavish ceremony inviting then Prime Minister Shinzo Abe. It decided, however, to forgo a ceremony this year.

One ministry official lamented: "The Council on Reform of the Defense Ministry, set up in the Prime Minister's Official Residence, is expected to hold a meeting on the 9th. This is the only plan we have now. We have gone from heaven to hell."

(4) Editorial -- Unsworn witness Akiyama's testimony deepened the mystery of defense interest-related scandals

ASAHI (Page 3) (Slightly abridged)
January 9, 2008

"That's not true." "I have no recollection." Naoki Akiyama, executive director of the Japan-U.S. Center for Peace and Cultural Exchange thus repeatedly made denials as an unsworn witness before an Upper House committee session. He denied the allegations that he received money from the defense contractor Yamada Corp, which is accused of bribery in the defense scandal.

Akiyama is portrayed as a playing liaison role between Japanese and American defense industries and politicians. The Center run by Akiyama has had former Defense Minister Fumio Kyuma and former Defense Agency Director-General Fukushima Nukaga as directors of its board. The ostensible purpose of the organization is to promote Japan-U.S. exchanges, but the actual role it played is apparently as an intermediary between politicians, bureaucrats, and the munitions

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industry.

It was anticipated that Akiyama's testimony might shed light on those allegations, but the testimony ended in a half-baked manner owing to lawmakers' inability to prepare definite evidence. We urge the Diet to summon those involved as sworn witnesses at an appropriate time and continue its investigation into the defense scandal.

A task force of the Tokyo District Public Prosecutors Office, which raided the Japan-U.S. Center and is investigating the trail of money offered to Akiyama and his aides, must find out the truth.

The name of Akiyama cropped up in the testimony before a Diet panel given by former Administrative Vice Defense Minister Takemasa Moriya, who has been indicted for bribery. Moriya testified that he had been invited by Akiyama to join a dinner along with former Defense Minister Kyuma. Akiyama denied attending the party, but he admitted he had joined another banquet with Kyuma and other politicians.

The bribe-taking allegations involving Akiyama surfaced in the testimony given by suspects and the records of money deposited in banks.

One is related to the government-sponsored project intended for disposing of poison-gas shells left by the former Imperial Japanese Army. Yamada Corp., which served as a sub-contractor of the project, was asked by Akiyama to pay him money for local measures with some 100 million yen changing hands.

At one point Yamada Corp. was on the verge of having its license as an agent of U.S. defense equipment manufacturer being snatched by another company. In order to defend the license, Yamada Corp. asked a Diet member backing the defense industry in the ruling Liberal Democratic Party (LDP) to work on a former high-level U.S. government official to advise the U.S. manufacturers not to change the agent. In this connection, Yamada Corp. is suspected of having offered money to Akiyama.

Akiyama denied all those allegations. Meanwhile, when he was asked if a U.S. corporation affiliated with him received a total of some 100 million yen as a consultancy fees from Japanese and American munitions makers, Akiyama avoided offering a clear-cut answer, by citing "confidentiality." As a result, the allegations have now further deepened.

The money Yamada Corp. allegedly offered to Akiyama is reportedly to have been disbursed from the company's slush funds. A portion of the money seems to have been used to offer a bribe to Moriya. The money might also have been offered as a bribe to politicians.

Additional bribery indictment was filed against Moriya and others on charges of having received bribes in addition to their being entertained by golf outings. The defense scandal is now assuming an even more serious aspect.

(5) Japan Bank for International Cooperation to create fund to help Asian countries combat global warming by introducing energy-saving technology

NIKKEI (Page 5) (Full)

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January 9, 2007

The Japan Bank for International Cooperation (JBIC) has decided to create an environment fund through joint capital investment with leading banks. The fund will be used for projects designed to construct power generations with high energy-conservation performance in Asian countries. The investors, while earning a certain level of profits, will urge Asian countries to take positive measures to contain global warming. The pooled money will also be poured into energy-conservation projects to be carried out in Asia by trading companies. As it stands, the new fund will indirectly

support global environmental projects by Japanese companies or financial institutions.

Planned indirect or direct investment through the new fund will be made in multiple projects, starting in fiscal 2008. Several hundreds billion yen is likely to be disbursed to finance these projects over the next five years. Of the total amount, the JBIC plans to shoulder about 10 PERCENT to 20 PERCENT. In response to requests from private firms or financial institutions, the JBIC will select in which funds or projects investment through the fund should be made.

Envisioned are projects designed to install flue gas desulfurization at old-type thermal power plants and to introduce a waste heat recovery system at iron mills, etc. As for UN-authorized projects, the JBIC will also consider selling emission quotas generated through the projects to companies or other countries as emission credits.

Coordination is underway on a plan in which the JBIC would invest in a fund to be set up to finance measures to combat global warming by such financial institutes as Mizuho Corporate Bank and the Export-Import Bank of China, a Chinese government-affiliated financial institution. The JBIC will also study the possibility of investing in other funds than this.

The JBIC so far allocated approximately 6 billion yen in annual reserves, but most of the amount was left unused. By increasing this amount to 15 billion yen in next fiscal year's budget bill, the bank is willing to make investment in a positive manner to offer financial aid to have the government attain the goal set in its program to help developing countries reduce greenhouse gas emissions as part of efforts to contain global warming.

(6) Okinawa and agriculture ministers concerned about idea of establishing a consumer agency

YOMIURI (Page 4) (Full)
January 9, 2008

In their press conferences yesterday after a cabinet meeting, Minister for Okinawa Fumio Kishida and Agriculture, Forestry and Fisheries Minister Masatoshi Wakabayashi took a cautious stance toward the idea of establishing a "consumer agency," which has come up in the ruling Liberal Democratic Party (LDP). The idea is intended to merge consumer administrations, which Prime Minister Yasuo Fukuda aims at. Kishida, who is also charged with the livelihoods of people, stated: "Enhancing the functions is important above anything else. Naming a new office alone will fail to achieve results." Wakabayashi expressed his concern, saying: "The idea could enlarge government offices and obscure where responsibility lies."

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(7) METI to ask FTC to proactive in applying AML to foreign countries: Move in response to EU's rigorous punitive system

NIKKEI (Page 5) (Full)
January 9, 2008

The Ministry of Economy, Trade and Industry (METI) has decided to ask the Fair Trade Commission (FTC) to proactively make extraterritorial applications regulated under Japan's Anti-Monopoly Law (AML) to unlawful business practices carried out by foreign companies. The European Union (EU) has toughened its stance of cracking down on price cartels. As a result, huge amounts of fines have been imposed on many Japanese companies. METI's decision is in response to industrial circles' call that the FTC should crack down on foreign firms more strictly. It will also compile a set of guidelines Japanese companies should take into consideration in order to avoid being involved in business activities violating host countries' anti-monopoly laws.

METI will set up a study group on the international implementation of a competition law consisting of academic experts, business leaders and attorneys before the end of January. The FTC will also take part in the envisaged panel as an observer. It will determine

what approach it would make, based on proposals to be made by April.

Proposals will likely include the positive application of the AML to foreign companies. METI will ask the FTC to call on foreign companies to revise their business plans or pay fines, by making extraterritorial applications of the AML, in the event in which sales prices go up or Japanese companies are placed in a disadvantageous situation as a result of price cartels or M&As by foreign companies.

The FTC in December last year decided to issue an order to five manufacturers, including Bridgestone, a British, French and Italian companies, to eliminate their international price cartel on marine hose pipes used for marine oil transportation. This is the first application of the AML to foreign companies. The FTC is also conferring with EU officials for a joint investigation into leading British and Australian resources companies' corporate purchase plan with the application of the AML in mind. However, compared with European and U.S. authorities, there have been overwhelmingly fewer cases of the FTC applying the AML to foreign companies.

The panel would also map out guidelines aimed at enabling to help Japanese companies avoid violating U.S. and European anti-monopoly laws. Many Japanese companies operating abroad have insufficient knowledge and understanding regarding business practices that constitute violations of the anti-monopoly laws of their host countries. As such, the envisaged panel would analyze Japanese, U.S. and European legal systems and clarify main points of their antimonopoly laws, which Japanese companies operating overseas must bear in mind. It would also show examples of cases that could be suspected of being activities violating their antimonopoly laws, including a case example in the EU, in which one Japanese company was determined as having taken part in a price cartel just because one of their employee took part in a chat on prices at a meeting of companies in the same line of business.

METI will ask the FTC to apply the AML to foreign companies in a proactive manner. It will also map out guidelines concerning

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European and U.S. anti-monopoly laws. This is because the EU adopts martinetism in dealing with business practices violating their antimonopoly law. Dissatisfaction with the EU's stance or calls on the FTC also to adopt a hard-line stance toward foreign companies are growing among business circles.

In the process of having the panel analyze European and U.S. antimonopoly laws, METI will take samplings of rules on procedures stipulated their antimonopoly laws and the implementation of such that could be problems from a perspective of the conventional wisdom and notions of the international community. It will consider the possibility of calling on the EU to correct such rules at ministerial meetings or through the FTC. It also plans to propose that Japan and the EU adopt common antimonopoly rules in the future.

(8) Transport Ministry to restrict foreign investment in airport-managing firms to ensure security, public nature of airports

SANKEI (Page 2) (Excerpts)
January 9, 2008

The Ministry of Land, Infrastructure and Transport decided yesterday to limit the ratio of investment by foreign capital in a company that maintains and runs an international hub airport, like Narita International Airport, to less than one-third of the total share. The decision stems from a desire to restrict foreign firms' involvement in the management of airport companies in an effort to ensure the security and public nature of such facilities. The new regulation will also be applied to airport terminal firms under direct government control, such as Haneda. The ministry intends to submit a bill amending the Airport Maintenance Law, which includes restrictions on foreign investment, to the ordinary Diet session this year. Under the new legislation, the focus will be shifted from

the current maintenance of airports to management.

There are an increasing number of cases in which major airports abroad have been taken over by investment funds of other countries. This fact is behind the ministry's decision to restrict foreign investment. Some observers fear that foreign Investment funds, if they acquire Japanese airports, may raise landing charges there with the aim of earning profits in a short period of time. Keeping such a possibility in mind, the Transport Ministry judges that "it will be undesirable to leave hub airports defenseless (from foreign capital)," according to an official of the Civil Aviation Bureau.

Under the amendment, the ministry will restrict the ratio of foreign investment in the following three companies that manage and run airports to one-third of the total share: Narita International Airport, which aims to list its stock on the stock exchange in 2009, and Kansai International Airport and Chubu International Airport, both of which are likely to be listed in the future. In part because of the discovery that an Australian investment fund possesses about 20 PERCENT of the share issued by Japan Airport Terminal Co., which operates the passenger terminal building at Haneda Airport, the Transport Ministry has decided to place similar foreign-investment restrictions on passenger or container terminal companies.

The Transport Ministry was looking into introducing a "golden share" that gives the government the right of decisive vote to enable it to prevent a certain shareholder from acquiring a large portion of the

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share or from selling important propriety. But the ministry decided to give up the introduction, based on the judgment that the measure would lead to decline people's motivation to invest and eventually could undermine the liquidity of shares.

(9) High crude oil prices, strong yen, low stock prices to continue: Japanese economy likely to become lost in fog in 2008

ASAHI (Page 2) (Slightly abridged)
January 8, 2008

The New Year got off to a rocky start for the Japanese economy. That is because triple shocks of high crude oil prices, strong yen and stock plunges stemming from the Subprime loan issue have hit the economy right from the beginning of the year, casting a dark cloud over the global economy. Many business leaders are concerned about the future of the economy. However, some are holding out hope that it will pick up in the latter half of the year. Their responses with bullishness mixed with bearish sentiments were an omen that the coming year would be unpredictable.

Business circles: Expectations on latter half of year

The Japan Business Federation (Nippon Keidanren), the Japan Association of Corporate Executives (Keizai Doyukai) and the Japan Chamber of Commerce and Industry (JCCI) hosted a New Year's Party at a Tokyo hotel on the afternoon of Jan. 7. Economic outlook for 2008 provided by participants was a mix of pessimism and optimism.

Asahi Kasei Corporation President Shiro Hiruta categorically said, "It would not be possible to maintain the vibrant trend of 2007." Mizuho Financial Group President Terunobu Mizuho noted, "Crude oil prices are too high. I am worried that the high crude oil prices could lead to sluggish personal consumption."

Leaders in the retailing industry made harsh comments with Lawson President Takeshi Niinami saying, "There are no rosy factors. The industry has neglected efforts to expand domestic demand" or Seven & i Holdings Chairman Toshifumi Suzuki noting, "The future of the economy is cloudy. Domestic demand is saturated." Behind their harsh remarks is the fact that there are no elements that could dispel such worries as the Subprime loan issue, the high crude oil prices and the low stock prices.

Though a number of business leaders expressed their perception that the economy would be in a slump in the first half of the year, as Nippon Steel Corporation Honorary Chairman Takashi Imai put it,

there were strong voices pinning high hopes on the latter half of the year.

Toyota Motors Chairman Fujio Cho said, "The economy would stay flat in the first half of the year, but it would pick up in the latter half of the year. Many measures would be taken in the latter half of the year." Seibu Holdings President Takashi Goto viewed that the economy would be in a slump with housing investment dropping due to the amendment to the Building Standard Law, but it could pick up in the latter half of the year. NYK Line President Koji Miyahara expressed expectation, "There will be the Beijing Olympic Games in China and the presidential election in the U.S. In view of those events, the economy will get better at the end of the year."

JCCI President Tadashi Okamura during a press conference of the top

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leaders of the Big Three expressed his hope, "Though there is uncertainty about European and U.S. economies, there will be demand from newly emerging countries, such as China, as they are expected to grow. We want to secure 2 PERCENT growth. I think that the economy will grow in the second and third quarters."

Investors: Increased uncertainties likely to give rise to selling spree

Daiwa Securities Group Head Office President Shigeharu Suzuki during a business leaders party made a bullish comment: "Stock prices plunged early in the new year. However, after rain comes fine weather. Corporate performances are not bad. The Nikkei Average Price Index of Stocks could top 20,000 yen."

It is said at Kabuto-cho, Nihonbashi, Tokyo, home to many securities houses, that the year of the Rat is the year of thriftiness and prosperity. As a matter of fact, stock prices in the years of the Rat rose more than 40 PERCENT on an average since 1949, when the Nikkei Average Stock Prices were calculated for the first time, ranking first, outdistancing the years of the Dragon, which marked 29 PERCENT growth.

However, the situation early in the new year appears different. The closing price of the Nikkei index was 14,500.55 yen, down 190.86 yen from the last weekend. This is the lowest price in about a year and a half. The Nikkei Stock Average fell four consecutive operating days since the end of last year. The loss during this period topped 1,100 yen.

The drop in stock prices is attributable to low U.S. stock prices, the strong yen, the weaker dollar and the high crude oil prices stemming from the Subprime loan issue. Foreign investors, such as hedge funds, who account for 60 PERCENT of trading on the Tokyo Stock Exchange, are selling stocks on the TSE as well, following global stock plunges. Drops in the profits of export-oriented companies due to the strong yen and increased costs of raw materials stemming from the high oil prices are jeopardizing the only hope that Japanese companies are performing well, prompting the selling trend.

Domestic individual investors are becoming increasingly concerned about the future of stock prices. One executive of an Internet-based securities house lamented, "The situation is such that individual investors find it difficult to purchase stocks actively." Some individual investors who are borrowing money from securities houses with guarantee deposits as collateral have to pay additional deposits due to a shortage of such money because of latent losses caused by drops in stock prices. One security house said that the number of individual investors who paid additional guarantee deposits grew 17-fold, compared with a month earlier.

According to a poll the Nomura Securities Financial and Economic Affairs Research Center conducted on individual investors in December last year, the largest number of respondents since the poll was started in April 2006, replied that the impact of the domestic economy and corporate earnings on the stock market over the last three months was "slightly negative."

Nomura Securities Strategist Kengo Nishiyama said, "Changes may be unfolding in the past view that the economy is recovering slowly and that corporate performances are solid."

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(10) Interview with Takeo Hiranuma: The reason why I'm now going to rally together genuine conservatives for a new party

SAPIO (Page 3) (Full)
January 23, 2008

Takeo Hiranuma, House of Representatives member

"Establish a new party for genuine conservatives." This kind of request is now coming to me via e-mail from many voters across the nation.

What lies behind that is the current lopsidedness of the Diet. The ruling parties hold a majority of the seats in the House of Representatives, while the opposition parties now dominate the House of Councillors. The balance between the lower and upper chambers is distorted in this way. There are issues that should be resolved for the sake of Japan and its people. Yet, the Diet remains unable to resolve these pending issues. Above all, many conservative voters were disappointed by the selection of Prime Minister Yasuo Fukuda from the Liberal Democratic Party (LDP). He then met with Democratic Party of Japan (DPJ or Minshuto) President Ichiro Ozawa, and the two talked about a "grand coalition" of the LDP and the DPJ. Ozawa was quoted as saying Japan should send the Self-Defense Forces overseas to participate in antiterrorist operations based on the United Nations' authorization. Fukuda reportedly accepted Ozawa's overtures. In the end, their talks broke down. The LDP has advocated establishing Japan's own constitution. I have also strongly insisted on the need for Japan to do so. However, the two politicians' deal was a far cry from my idea of Japan writing a constitution on its own. Those true conservative voters stand behind me. They are pushing me to restore genuine conservatism. I feel encouraged as a politician.

I preside over a cross-party group of conservative lawmakers. In December last year, I became a supreme advisor to an LDP interfactional conservative policy study group that was launched under the initiative of former LDP Policy Research Council Chairman Shoichi Nakagawa. This study group is a gathering of 59 like-minded lawmakers. In the meantime, I often meet with the DPJ's promising middle-standing and junior lawmakers. We are teaming up to rally genuine conservatives.

However, we must not be in a hurry to establish a new party. The Diet is now distorted. We will surely see a new turn of the political situation after the next election for the House of Representatives. We can launch a new party, but that is one of the options in that event.

Actually, we may not necessarily have to create a new party. Even in this case, it is well significant to launch a tertiary group of conservatives from both the LDP and the DPJ. Japan has its own traditions, culture, history, and other areas that should be protected. We should maintain what we should maintain. That's my way of thinking about conservatism. Politicians will reach out across party lines if they have something that reverberates with their ideals or spirits. Of course, we, as conservatives, will speak out about establishing Japan's constitution on its own and revising the Fundamentals of Education Law. The Diet is now in a mood to say something like this: "If you do not talk about reforms, you are not a politician." However, there are also some things that are good. We

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do not have to change those.

What the Koizumi-Takenaka reforms brought to Japanese society is an economic system that falls under the category of "globalism" and that is convenient to America. As a result, the Koizumi

administration carried out postal privatization. Moreover, in the business scene, they pushed ahead with mergers and acquisitions, introducing triangular mergers to comply with demands from America. The nation's rural districts are falling apart, and the social divide has spread. Former Prime Minister Shinzo Abe had a conservative spirit, but he followed the Koizumi policy line. As a result, the LDP suffered a crushing defeat in July's election for the House of Councillors.

The LDP as a political party has become too weak. It has long depended on its coalition with the New Komeito. Furthermore, the LDP has fallen into a bad pattern of using populism to boost its public ratings as an immediate goal. The LDP has lost sight of those principles and ideals that are of paramount importance for political parties. The DPJ also lacks unity as a mixture of former LDP conservatives and former Japan Socialist Party liberals. Voters instead are hoping for genuine conservatism. They may wonder which political party is the right party to put their faith and trust in. In the last election for the House of Councillors, there were probably some people who voted for the DPJ to teach a lesson to the LDP. However, voters will choose a political party that can grab the reins of government. They will be even more careful in the next election for the House of Representatives. If the voting behavior varies with the lower and upper chambers, the Diet's distortion will continue for more than nine years, not six years.

That's why they need a third force that is imbued with a healthy conservatism. If we form a group that embodies national interests and national wealth, we will be free from the Diet's distortion, and we can communicate our conservative standpoint. I am an independent member of the House of Representatives, so it's my job to bridge the LDP and the DPJ. The question is if that will become a third political party or if that will dissolve the dilemma over passing critical laws. We will need to thoroughly watch the political situation from now on.

(11) Choice of government in 2008: No big vision shown by either LDP or DPJ for the future of Japan

ASAHI (Page 3) (Slightly abridged)
January 8, 2008

Tetsuya Itagaki

Debates on political reform aimed at realizing policy-oriented election stimulated political parties, particularly the leading ruling Liberal Democratic Party (LDP) and the major opposition Democratic Party of Japan (DPJ), to compete by issuing manifestos (sets of campaign pledges) in national elections. A Lower House election is anticipated to take place in 2008, but neither of the two major parties has come out with policies that show different answers to the question of what kind of society Japan should aim at being." This question involves how social welfare will look in the future and how it will be financed. Can a two major-party system that can give the public an opportunity to choose the government they want actually take root in Japan?

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On Dec. 5, 2007, the DPJ's think tank hosted a symposium in Tokyo. At the conference, Kazuhiko Nishizawa, senior economist at the Japan Research Institute, asked this about the DPJ's pension reform plan, as revealed in the Upper House election last summer: "What specific cases are there in which a minimum pension would not be guaranteed?"

Nishizawa posed the question because details of the DPJ's pension reform plan had not become clear even after party leader Ozawa said in the party-heads debate in the Diet immediately before the Upper House election: "We need to ask those who have an annual salary of 6 million yen or more to put up with (not receiving a minimum of guaranteed pension)."

The DPJ came out the winner in the 2004 Upper House election by vowing to impose a 3 PERCENT consumption tax for pension purposes, but when Ozawa assumed the top party post in April 2006, he turned

around the party's election pledge and said, "We will not hike the consumption tax for the time being." Nishizawa expressed concern: "Discussion of how to design a new pension system has stopped because debate on how to finance the pension system has now been spiked." In fact, in the symposium, House of Councilors member Kouhei Otsuka of the DPJ's Pension Research Council reiterated in response to questions: "We are discussing it in the party."

The pension system has been an issue in other elections. But attention has been always paid on the problems of unpaid pension premiums and slack records of pension premium payments. The DPJ's former Policy Research Council Chairman Yoshito Sengoku, who served as deputy chair of the joint conference on pension reform of lawyers from both chambers of the Diet in 2005, expressed concern: "The party is in the mood of pursuing scandals and hitting the other party's weak points. How can the DPJ change the (pension) system if it comes to power? We should discuss that point fully."

The ruling bloc likewise tends to avoid debate about the question of raising the public's burden.

The day after the symposium, the LDP's Group to Think about Social Welfare met at the Lower House Building. In the meeting, Keio University Prof. Yoshikazu Kenjoh stressed: "Nothing will start unless someone brings up the question of an increase in the public's burden in order to protect the social welfare system." Participants argued that it was too risky politically to touch on a burden increase before the Lower House election as Kenjoh expected.

When the Fukuda administration came into being, the LDP's Council to Study Financial and Political Reform led by former Chief Cabinet Secretary Kaoru Yosano suggested converting the consumption tax into

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a social welfare tax and hiking the tax rate. But after the idea of forming a grand coalition between the two major parties faltered and now that confrontation between the LDP and the DPJ is intensifying, a cautious view about raising the tax rate has rapidly spread in the ruling bloc.

Kenjoh said: "No one is willing to discuss how to finance the social welfare system and no one realizes that a strong constituency lies there. Under such a situation, two major parties with policies that differ substantively will never emerge."

Key lies in new redistribution method

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The idea of forming a grand coalition between the LDP and the DPJ cropped up last year just at the time when politicians were reluctant to discuss the question of increasing the public's burden. Many in the ruling bloc are of the opinion that the ruling and opposition parties need to work together on such important themes as a tax increase.

But this way of thinking has been met by objections. Chiba University Prof. Yoshinori Hiroi said, "Political parties should present their respective social models over the two issues: "distribution of wealth" related to the question of which to choose, a big or small government, and "size of wealth" related to the question of which to prioritize, economic growth or the environment.

At a meeting of the DPJ's Saitama chapter's "political school" held in last November in Saitama City, Prof. Hiroi emphasized the importance of divergence in policies. He advocated: "Social welfare involves a fundamental philosophy concerning distribution. If two major parties move closer to each other without any clear difference in policies, they will become submissively supportive of each other and result in narrowing a range of options for the public to choose."

When Japan had an ample amount of finances thanks to high economic growth, no in-depth debate on redistribution took place. The conflicting views among political parties under the so-called

1955-year system ([http://en.wikipedia.org/wiki/55-year system](http://en.wikipedia.org/wiki/55-year_system)) was related to protection of the Constitution and national security. But the confrontation over them disappeared with the end of the Cold War and the socialist-party led Murayama government's approval of the existence of the Self-Defense Forces (SDF).

Jiro Yamaguchi, professor at Hokkaido University's Graduate School and author of the book *Posuto-Sengo Seiji Eno Taikoujiku* (Conflicting Views in Postwar Politics), said the reason why policy differences are not clear among the political parties is in part attributable to the decline of left-wing forces and the political parties' failure to properly debate poverty and social welfare, having become satisfied with the redistribution that had come as a consequence.

Instead, politicians focused their energies on competing to promote reforms. As prescriptions to destroy the bureaucracy's rule and special interest-driven politics, they advocated the principles of market competition. Politicians (not only in the LDP) but also in the DPJ competed to best realize small government. This also has made it difficult to tell what the policy differences were between the LDP and the DPJ.

Yamaguchi told Ozawa: "Instead of rehashing the so-called Koizumi reforms, you should declare that the DPJ will create a society where people who work honestly for a living will be happy."

In the Upper House election last year, the DPJ advocated removal of social disparities and emphasized the importance of prioritizing working people and made a big leap to become the first party in the Upper House. Meanwhile, the LDP is returning to where it was before the Koizumi reforms.

In order for political parties to have differing views, "they need to come up with their own policy visions that illustrate the future

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of Japan, including fiscal resources," Yamaguchi said.

"The point is whether they can establish a system that is highly transparent and fairly redistributes resources by making a clear distinction from the pork-barrel politics of the past. Can Japan establish a two major party system that meets the world standard? The next national election will be a crucial test for Japan in this regard," Yamaguchi concluded.

Comments by Keio University Prof. Heizo Takenaka, who served as minister in charge of economic policy and minister of internal affairs in the Koizumi administration:

What lay behind the idea of forming a grand coalition (between the LDP and the DPJ) that cropped up last year was the question of whether to hike the consumption tax. My advice is not to form a grand coalition just to deal with tax problems. The reason is because taxes are in themselves the foundation of politics. The first matter that parliamentary democracy handles is what to do about taxes. If the idea of establishing a grand coalition had been floated to dodge criticism for tax increases, but such would have been the same as discarding politics. I think it is bad for political parties to think that if every party agrees to hike the consumption tax, there's nothing to be afraid of.

The respective banners that the LDP and the DPJ have raised are not the same. One major point in the next Lower House election would be whether these two major parties will be able to come up with unique banners. The public that chooses politicians will also be tested. The issue would be which to choose: small government or big government. This question will logically be linked to the tax issue.

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